

EXHIBIT B



Puerto Rico

PREPA's Ortiz Says Renegotiated RSA Unlikely Until Next Year

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Puerto Rico Electric Power Authority Executive Director José Ortiz said this morning that a deal on a renegotiated restructuring support agreement is unlikely this year given ongoing uncertainty surrounding the macroeconomic impact of the Covid-19 pandemic.

"I don't see an RSA being agreed on until next year," Ortiz said, adding that the deal "certainly has to be renegotiated."

Ortiz prefaced comments on the RSA, which came during an online Puerto Rico Grid Revitalization forum, with the caveat that he was speaking in his personal capacity. During the interview by Carlos J. Fernández-Lugo, chair of the environmental, energy and land use practice at the McConnell Valdés law firm, the PREPA chief also touched a range of other issues including federal recovery funding, the grid operation deal with LUMA Energy and cost-saving efforts.

Ortiz said that PREPA's collection rates have climbed back well above 90% despite the Covid-19 emergency and that the utility is moving to reopen commercial offices.

PREPA RSA

"The [RSA](#) is based on the macroeconomics of the island, and at this point we certainly don't know the full effect of Covid-19 on the economy. So we don't know yet how much the people of Puerto Rico can really afford in order to comply with a long-term agreement with the creditors," Ortiz said.

Stressing the importance of gauging the impact of Covid-19, Ortiz noted that PREPA is "refraining" from establishing a one-cent transition charge to customers at this point with the support of the PROMESA oversight board.

"We have to preserve the well-being of the people of Puerto Rico. We are not willing yet to renegotiate, and certainly this has to be renegotiated, and I don't think this is the moment, because nobody has the truth about what is going to happen down the road in Puerto Rico and the U.S. economy in the next six months. Let's see," the PREPA chief said.

Ortiz called for a focus on executing on savings at the utility during the indefinite pause in PREPA's RSA process, pointing to cost-cutting around energy losses, renegotiated power purchase and operating agreements, the grid deal with LUMA Energy, collective bargaining and LED streetlights, among other factors.

"Let's take advantage of these months to do whatever it takes to reduce the cost of energy ... so that whenever we plug in the bondholders it will have the least possible impact on customers," he said. Ortiz has stated previously that savings are a key element in building support in the Legislature for potential bills needed to execute a debt restructuring at PREPA.

"Certainly at some point we have to start paying the debt," Ortiz said, adding that the utility is "looking for all savings possible so we can address the debt in a way that it doesn't affect the customer."

The oversight board, as the authorized representative of the utility as debtor in the Title III case, has halted PREPA's debt restructuring proceedings as it and other parties analyze the impact of the Covid-19 pandemic on the RSA and future financial and economic projections. Citing the uncertain and unpredictable effects of the pandemic on PREPA and its customers and the current status of the

Title III court proceedings, the oversight board did not include the RSA in PREPA's latest certified [fiscal plan](#), which reflects the worst-case scenario of the full cost of legacy debt and the corresponding rate projections. PREPA's fiscal plan also states that Title III expenses are expected to decline "after" fiscal 2022, which ends June 30, 2022. PREPA's [fiscal 2021 budget](#) includes \$77.4 million for restructuring and Title III costs and \$67.1 million for professional and technical "outsourced services."

Ortiz has [previously urged](#) the PREPA governing board, rather than the oversight board, to take the lead in reshaping the utility's RSA.

Federal Reconstruction Funding

Ortiz said "very good news" is coming "very soon" on the federal funding front. "I can't tell you when, but it is going to be very soon," he said, pointing to the process of reaching a final settlement with the Federal Emergency Management Agency on billions in post-hurricane recovery funding under section 428 of the Stafford Act.

"Certainly there is going to be enough under section 428 to redo the grid," Ortiz said, adding that the use of \$1.9 billion in U.S. Housing and Urban Development Department Community Development Block Grant Disaster Recovery funds earmarked for the island's energy sector would continue to take shape with an eye toward an adaptable and smart energy system. He mentioned rooftop solar and natural gas generation.

Ortiz indicated that "federal grants" from FEMA and CDBG-DR funding would represent a 90% subsidy for PREPA over the next 12 years to 15 years. "So let's take advantage of that. When you consider that 90% of your capital budget will be subsidized by federal funding, certainly it is another claim to bring down power bills eventually," he said.

Priority projects for the federal funding, which will include burying power lines to critical facilities such as Luis Muñoz Marín International Airport, are already under design ahead of the issuance of related requests for proposals. "We hope to see some bidding out there in September for the first few projects," Ortiz said.

Ortiz said that LUMA Energy would be consulted on priority projects but that final decisions would remain in the hands of the PREPA and its governing board during the one-year transition period contemplated in the transmission and distribution system operation and maintenance contract. He added that PREPA would tap the expertise of IEM - one of the four firms that make up the LUMA Energy consortium - in a process of "recalibrating" the federal funding eligibility of priority projects.

LUMA Energy Agreement

Ortiz walked through key aspects of the LUMA Energy [agreement](#), including investment requirements and the fee structure. He said that a concession structure as originally envisioned did not make sense given the pending inflow of federal funds. Under the operation and maintenance, or O&M, structure adopted during the privatization process, PREPA maintains ownership of the grid assets.

Ortiz noted that the agreement targets \$293 million in savings by 2027 across the two categories of energy loss costs and O&M costs. The PREPA chief said lessons learned from the Puerto Rico Aqueduct and Sewer Authority's botched concession under Ondeo were incorporated into the LUMA Energy contract, saying that the water utility's privatization was "just a change in name" involving a private entity "with its hands tied" because of political influence stemming from a reliance on commonwealth government subsidies as well as a lack of power to "touch the unions." He said the commonwealth "made sure" LUMA Energy has "enough autonomy" for issues including negotiating collective bargaining agreements and other contracts.

The PREPA chief noted that LUMA Energy is subject to the Puerto Rico Energy Bureau's regulatory functions, the oversight board's "guidelines" and PREPA governing board "monitoring." He said the agreement maps out PREPA's future as a "three-legged entity" consisting of a GridCo, ServeCo and

GenCo. The PREPA chief said a decision was pending on which of the legs would manage a potential pass-through related to the purchase of fuel for PREPA-owned generation facilities.

Regarding a rate order contemplated in the agreement, Ortiz said that is “nothing different than what PREPA is doing today,” pointing out that any riders or term changes have to be run through the Puerto Rico Energy Bureau, or PREB, as a rate case. He anticipated that the rate case LUMA Energy would present would involve changes in collective bargaining and terms with commercial/industrial clients.

“It may be cheaper. I don’t know. We’re a year away from that,” he said, adding that the budget should be lower given savings targets.

Asked about PREPA’s motion seeking allowance of a [\\$136 million administrative expense claim](#) for LUMA Energy, Ortiz said he did not “see any reason” why the Title III court would “rule against it” despite opposition from the utility’s main union, known as UTIER. “They claim retirement is an operational expense. Imagine the weirdness of all that,” he said.

Renegotiated PPOAs

Turning to renegotiated solar power purchase and operating agreements, or [PPOAs](#), Ortiz noted that they still need approval from PREB, the oversight board and the Title III court. He said PREPA is responding to the PREB’s requests for additional information and is hopeful for approvals from the regulator by month’s end. He anticipated that some of the 16 shovel-ready projects covered by the renegotiated PPOAs could break ground this year under an expedited permits process.

Pointing to the island’s aggressive and legally mandated renewable targets, Ortiz stressed the need for execution over conceptualization. “This is about execution from now. Conceptualizing is nice, but we need to move forward,” he said.

Ortiz noted that the 16 shovel-ready projects represent nearly 600 megawatts and signaled that another 1,800 megawatts of renewable energy would be sought through future RFP processes. He added that the process would run parallel to development of a new generation facility at PREPA’s Palo Seco site with federal funding.

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